

This Agreement is effective this 9th day of January, 1997

by and between

MEC Ltd.  
1783 Iron Works Road  
Lexington, KY 40511  
USA  
(hereinafter called MEC)

and

SIG Swiss Industrial Company  
CH-8212 Neuhausen / Rhine Falls  
(hereinafter called SIG)

regarding:      Electronic / Electromecanic Identification and Security  
System for Handguns

WHEREAS, MEC is a company, registered domicile in Lexington, USA, the activity of which is or will be the further development of Electronic Identification and Security System for handguns, this being fully authorized to do so by the owner of such systems, and

WHEREAS, SIG through its Small Arms Division is a handgun manufacturer, manufacturing such products in different countries and selling them worldwide,

and

WHEREAS, MEC is interested to cooperate with SIG in developing an Electronic / Electromecanic Identification and Security System for pistols, and

WHEREAS, SIG is interested to cooperate with MEC in the development of the above mentioned systems by giving MEC full access to all its pistol technology as far as it is useful for the development of the above mentioned systems,

NOW, THEREFORE, the parties hereto agree as follows:

1. DISCLOSURE OF CONFIDENTIAL INFORMATION

All Information disclosed by MEC to SIG or by SIG to MEC concerning the above mentioned subject, except as set out below, whether disclosed verbally, by samples or in writing, shall be considered confidential (hereinafter: Confidential Information).

2. OBLIGATION OF SECRECY

The parties hereto agree that Confidential Information disclosed to each other hereunder shall be retained in confidence and shall not be used for purposes other than those of the disclosing party's obvious intent, or disclosed to others, for a period of five (5) years from the date of disclosure, unless the information

- a) was known to the other party prior to disclosure by the party who disclosed the information;
- b) was publicly available at the time of the disclosure to the other party;
- c) subsequently becomes publicly available through no fault of the other party;
- d) subsequent to disclosure is rightfully acquired by the other party from a third party who is not in breach of a confidential relationship to the disclosing party with regard to such information; or
- e) corresponds to information furnished by the disclosing party to any third party on a non-confidential basis.

3. FURTHER OBLIGATIONS

- 3.1 The parties hereto agree that they will disclose the Confidential Information only to such of their employees who have a need to know said information in order to carry out their responsibilities.
- 3.2 The parties hereto agree not to make use of the Confidential Information without the disclosing party's written consent.
- 3.3 Each party reserves to the disclosing party the exclusive right to ask for and obtain patents or other legal protection concerning the disclosed Confidential Information. The party receiving the information shall in no way hinder the other party in its efforts to get patents or other legal protection concerning the Confidential Information.
- 3.4 At the termination of the project mentioned above or at any other time at the demand of MEC or SIG respectively, the party having received the Confidential Information shall return all of the documents transferred to it in confidence and shall retain no copy thereof.

#### 4. TERMINATION OF AGREEMENT

This Agreement will be terminated after 5 years from the date of execution of this Agreement unless it is mutually agreed to be terminated earlier.

#### 5. JURISDICTION AND LAW

This Secrecy Agreement shall be governed by and interpreted according to the Swiss Law. Any disputes, controversies or claims arising out of pertaining to this Agreement or breach hereof which cannot be amicably settled between the parties hereof shall be finally submitted to and settled by the Courts of Schaffhausen.

If SIG is the plaintiff, it may bring action before the competent Court of the place where the other party has its registered domicile.

MEC Ltd., 1783 Iron Works Road, Lexington, KY 40511, USA

by Tony A. Hancock  
1/9/97  
title President

by Jonathan D. Bueh  
1/9/97  
title Vice-President

date 9th January, 1997

SIG Swiss Industrial Company, CH-8212 Neuhausen / Rhine Falls

by R. Fuchs  
R. Fuchs

by Dr. D. Strich  
Dr. D. Strich

title Chief Engineer  
Small Arms Division

title Head Business Development and Projects  
Small Arms Division

date 9th January, 1997